



# NEWS

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## **Commissioner Donelon Issues New Hurricane-Related Consumer Protections**

Commissioner of Insurance Jim Donelon issued two directives this week to further protect consumers impacted by Hurricanes Katrina and Rita. Directives 195 and 196 are the latest directives issued by the Department which relate specifically to the two hurricanes and are among the strongest consumer protections mandated by any state insurance department following Hurricanes Katrina and Rita.

### **Directive 195 - Extension of Time Period for Insureds to Effectuate Repairs to Hurricane Damaged Property & Receive Full Recovery for Replacement Costs:**

Commissioner Donelon issued Directive 195 on February 27. Directive 195 requires insurance companies to pay policyholders full replacement cost for their covered hurricane-related property damage even if repairs are not completed within the six-month time period required under some policies.

"Some property insurance policies contain a provision stating that repairs to covered damages must be done within six months of the date the claim was filed in order for the insured to collect the replacement costs they are entitled to from their insurer," Donelon says. "What makes Directive 195 so important is that it mandates insurance companies to extend the repair deadline from six months to one year from the date of the claim," Commissioner Donelon adds. Replacement cost coverage is available to policyholders who actually purchased this type of coverage.

The Commissioner says he feels Directive 195 is vital for consumers because many property owners with a covered loss that is the subject of a claim following either Hurricane Katrina or Hurricane Rita have been unable to have their covered damages repaired by a building contractor. Some residents have also been unsuccessful in finding a contractor who can give them a bid for their repair work.

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**Directive 196 - Hurricane Katrina & Hurricane Rita Deemed  
Catastrophic Events Entitling Insureds to Exemption from Use of Credit  
Information:**

Commissioner Donelon says he is concerned about the financial strain the two hurricanes have caused residents statewide and the impact this may have on the personal credit records of those who have been late in paying their bills.

So Donelon issued Directive 196 as a means of protecting affected residents from the negative impact of adverse actions on their credit reports. The Commissioner's proclaiming of Hurricanes Katrina and Rita as "catastrophic events" triggers a state law banning insurance companies from using an adverse entry on an individual's credit report when setting that person's insurance rates. This applies only to personal lines of insurance but Commissioner Donelon urges and requests that insurers writing commercial lines of insurance in Louisiana abide by the spirit and intent of Directive 196.

"Directive 196 says that adverse entries posted on a person's individual credit record beginning August 26, 2005 shall be ignored by insurance companies when considering the individual's credit history during the underwriting or rating of any personal lines insurance policy," Donelon states. Directive 196 does not prohibit an insurer from using a credit entry, favorable or unfavorable, posted on or after August 26, 2005 that is not related to Hurricane Katrina and/or Hurricane Rita.

Consumers who believe their credit may have been adversely impacted as a result of Hurricane Katrina and/or Hurricane Rita should contact their insurance company right away.